# CAROLINA, CLINCHFIELD AND OHIO RAILWAY

## SIXTY-THIRD ANNUAL REPORT

### For the year ended December 31, 1973

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New York, April 15, 1974

To the Stockholders of
CAROLINA, CLINCHFIELD AND OHIO RAILWAY:

The Sixty-third Annual Report of the Board of Directors, for the year ended December 31, 1973, is submitted herewith:

Under an indenture dated October 16, 1924 the properties of Carolina, Clinchfield and Ohio Railway and its subsidiaries were leased to Atlantic Coast Line Railroad Company (now, by merger, Seaboard Coast Line Railroad Company) and Louisville and Nashville Railroad Company for a period of 999 years from May 11, 1923, at an annual money rental which now and during the remainder of the term of the Lease is 5% on $25,000,000 of Capital Stock, or $1,250,000 annually. The payment of such money rental is to be made in equal quarterly installments on the first day of January, April, July and October of each year. Quarterly dividends at the rate of 5% per annum on the Railway's $25,000,000 Capital Stock were paid out of the money rental received from the Lessees during 1973.

In addition to the foregoing money rental, the Lessees agreed to pay the interest charges on the outstanding funded debt of Carolina, Clinchfield and Ohio Railway and on any bonds that may be issued to refund the same. The Lease also provides that the Lessees shall pay all charges and other expenses in connection with the payment of such interest, shall pay all taxes upon the franchises and leased property and the income thereof, and shall also pay a limited sum for the annual corporate expenses of the Lessors. All rental payments under the Lease are the joint and several obligations of the Lessees.

The Lease provides that, in the case of the issuance of any additional capital stock of the Railway, it shall be stock of a class which has no right to participate in any dividends declared from the money rental above mentioned, which has been fixed at the amount specified for the purpose of enabling the Railway to pay dividends upon $25,000,000 par value Capital Stock at the rate of 5% per annum, and is not intended to be used for any other purposes whatsoever. In consideration of this money rental, each stockholder agrees with the Lessees that he will vote his stock in such manner as is necessary to carry out certain provisions of the Lease from time to time.

The making of the Lease was authorized by the Interstate Commerce Commission on June 3, 1924 (Finance Docket No. 3131). Possession of the leased properties was delivered to the Lessees on December 1, 1924 and the first payment of the money rental under the Lease was made to the Lessors on April 1, 1925.

Submitted as a part of this report are a summary of the operation of the leased properties, a copy of the consolidated general balance sheet, a consolidated statement of income and earned surplus, a statement of mileage and a summary description of the funded debt.

For the Board of Directors,

J. CALVIN KNOTTER, *President.*

## MILEAGE

The mileage owned by Carolina, Clinchfield and Ohio Railway and its subsidiary, Carolina, Clinchfield and Ohio Railway of South Carolina, is as follows:

| | *Miles* |
|---|---|
| Carolina, Clinchfield and Ohio Railway: | |
| Main line: Elkhorn City, Ky., to N. C.—S. C. state line .... | 256.46 |
| Branch lines: Canay, Va., to Moss, Va. ..... | 14.53 |
| Bostic Yard, N. C., to junction S. C. L. Railroad | .79 |
| Carolina, Clinchfield and Ohio Railway of South Carolina: | |
| Main line: N. C.—S. C. state line to Spartanburg, S. C. ..... | 18.02 |
| Total ..... | 289.80 |

The lines of this Company have, since December 1, 1924, been operated by the Lessees under the name of "Clinchfield Railroad Company".

In addition to the foregoing mileage, the Lessees also operate the following mileage under trackage rights held by the Carolina, Clinchfield and Ohio Railway:

| | |
|---|---|
| Chesapeake and Ohio Railway, Elkhorn City, Ky. ..... | .13 |
| Haysi Railway from Berta, Va. to Pittco, Va. ..... | 5.55 |
| Total ..... | 5.68 |

This makes the total mileage operated by the Lessees under the Lease 295.48 miles.

## RESULTS OF OPERATIONS BY LESSEES

The following is a summary of the operation of the leased properties as reported by the Lessees to the Interstate Commerce Commission:

| | *1973* | *1972* |
|---|---|---|
| Railway operating revenues ..... | $39,224,849 | $40,214,621 |
| Railway operating expenses ..... | 24,832,859 | 24,814,496 |
| Net revenue from railway operations ..... | 14,391,990 | 15,400,125 |
| Railway tax accruals..... | 3,660,339 | 3,290,720 |
| Railway operating income ..... | 10,731,651 | 12,109,405 |
| Equipment rents (Net) ..... | (984,219) | (998,470) |
| Joint facility rents (Net) ..... | (353,880) | (294,624) |
| Net rents ..... | (1,338,099) | (1,293,094) |
| Net railway operating income ..... | 9,393,552 | 10,816,311 |
| Non-operating income ..... | 73,600 | 79,581 |
| Total income ..... | 9,467,153 | 10,895,892 |
| Total fixed charges and other deductions .. | 3,367,086 | 3,440,750 |
| Net income to Lessees ..... | $ 6,100,067 | $ 7,455,142 |

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## ASSETS

| | *1973* | *1972* |
|---|---|---|
| Current Assets: | | |
| Cash | $ 15,448 | $ 11,297 |
| Special deposits | 823 | 823 |
| Rent receivable | 312,500 | 312,500 |
| TOTAL CURRENT ASSETS | 328,771 | 324,620 |
| Investments: | | |
| Road and equipment property: | | |
| Road | 53,063,432 | 51,991,242 |
| Equipment | 367,835 | 367,835 |
| General expenditures | 3,551,129 | 3,551,417 |
| Construction work in process | 8,486 | 299,798 |
| Other elements of investment (Note 1) | 18,132,285 | 18,132,285 |
| | 75,123,167 | 74,342,577 |
| Accumulated depreciation | 4,018 | 4,018 |
| Investment in transportation property less depreciation | 75,119,149 | 74,338,559 |
| Miscellaneous physical property | 62,564 | 62,564 |
| Total investment less recorded depreciation | 75,181,713 | 74,401,123 |
| Deferred assets | 1,716,703 | 1,728,924 |
| TOTAL ASSETS | $77,227,187 | $76,454,667 |

NOTES:

(1) The amount in "Other elements of investment" above is the excess of the costs recorded in the accounts of the Company over the valuation of the property as determined by the Interstate Commerce Commission for rate-making purposes. By agreement with the Commission, proportions of this account will be cleared as substantial retirements are made.

(2) Surrendered to Trustee for cancellation $3,607,000 and held in custody account of Lessess for future sinking fund payments $585,000.

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LANCE SHEET (UNAUDITED)
R 31, 1973

## LIABILITIES

| | *1973* | *1972* |
|---|---|---|
| Current Liabilities: | | |
| Interest matured unpaid | $ 30 | $ 30 |
| Unmatured dividends declared | 312,500 | 312,500 |
| Clinchfield Railroad Company | 585,000 | 539,000 |
| First Mortgage Bonds and premiums called for redemption | — | — |
| Excess cost of Bonds over sinking fund payment | 65 | 258 |
| | 897,595 | 851,788 |
| Deferred liabilities | 20,765,094 | 19,648,507 |
| Funded debt unmatured: | | |
| First Mortgage 4½% Bonds, Series B: | | |
| Issued | 16,800,000 | 16,800,000 |
| Reacquired (Note 2) | 4,192,000 | 3,635,000 |
| | 12,608,000 | 13,165,000 |
| Capital stock | 25,000,000 | 25,000,000 |
| Surplus: | | |
| Unearned surplus | 16,862,325 | 16,862,325 |
| Earned surplus | 1,094,173 | 927,047 |
| | 17,956,498 | 17,789,372 |
| TOTAL LIABILITIES | $77,227,187 | $76,454,667 |

## CAROLINA, CLINCHFIELD AND OHIO RAILWAY
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## CAROLINA, CLINCHFIELD AND OHIO RAILWAY OF SOUTH CAROLINA

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 1973

| | *1973* | *1972* |
|---|---|---|
| Income: | | |
| Income from lease of road and equipment | $1,861,492 | $1,885,571 |
| Miscellaneous income | 183,934 | 144,928 |
| Total income for year | 2,045,426 | 2,030,499 |
| Deductions from income: | | |
| Maintenance of corporate organization | 31,896 | 29,035 |
| Interest on bonds | 579,540 | 602,888 |
| Amortization of discount on funded debt | 16,864 | 16,012 |
| Total deductions | 628,300 | 647,935 |
| Net income for year | 1,417,126 | 1,382,564 |
| Earned surplus, January 1 | 927,047 | 794,483 |
| | 2,344,173 | 2,177,047 |
| Less—Dividends paid ($5.00 per share) | 1,250,000 | 1,250,000 |
| Earned surplus, December 31 | $1,094,173 | $ 927,047 |

## SUMMARY DESCRIPTION OF FUNDED DEBT
## DECEMBER 31, 1973

CAROLINA, CLINCHFIELD AND OHIO RAILWAY
FIRST MORTGAGE 4½% BONDS, SERIES B:

Dated April 1, 1965, due April 1, 1990, secured by first mortgage on the line of railway and other property from Elkhorn City, Kentucky, to the North Carolina-South Carolina state line by equipment, and by the entire capital stock ($12,000) and $3,000,000 aggregate principal amount (entire issue) of First Mortgage Gold Bonds of Carolina, Clinchfield and Ohio Railway of South Carolina, extended to April 1, 1990. Amount authorized and issued, $16,800,000; subsequently reacquired by Lessees $3,635,000, including $3,096,000 retired through sinking fund; outstanding $13,165,000. Bonds unconditionally guaranteed as to principal, premium, if any, interest and sinking fund payments jointly and severally by endorsement by Atlantic Coast Line Railroad Company (now, by merger, Seaboard Coast Line Railroad Company) and Louisville and Nashville Railroad Company. Trustee: Morgan Guaranty Trust Company of New York. Coupon bonds of the denomination of $1,000, registrable as to principal. Registered bonds, without coupons, of the denomination of $1,000 or any multiple of $1,000. Coupon bonds and registered bonds without coupons are interchangeable and transferable. Interest payable April 1 and October 1 at Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, N. Y. 10015. Redeemable as a whole or in part after not less than 45 days published notice at prescribed redemption prices, plus accrued interest. Annual non-cumulative sinking fund of $336,000 to be applied to the purchase or redemption of bonds.

## CAROLINA, CLINCHFIELD AND OHIO RAILWAY

### BOARD OF DIRECTORS

| | |
|---|---|
| A. D. Early | New York, N. Y. |
| Charles Klem | Mountain Lakes, N. J. |
| J. Calvin Knotter | New York, N. Y. |
| Robert R. Krumm | New York, N. Y. |
| H. Everett Woodruff | Belleair, Fla. |

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### OFFICERS

| | |
|---|---|
| J. Calvin Knotter | *President* |
| A. D. Early | *Vice President* |
| Frank C. Puleo | *Secretary and Treasurer* |
| J. C. Blackwell | *Ass't Sec'y and Ass't Treasurer* |

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New York Office ..... 1 Chase Manhattan Plaza
New York, New York 10005

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*Stock Transfer Agent*
*Stock Registrar*
*and*
*Dividend Disbursing Agent*

Chemical Bank
20 Pine Street
New York, New York 10015